



County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

March 9, 2004

Board of Supervisors
GLORIA MOLINA
First District

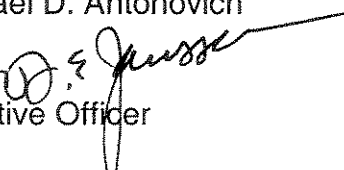
YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Yvonne Brathwaite Burke
Supervisor Michael D. Antonovich

From: David E. Janssen 
Chief Administrative Officer

FEDERAL LEGISLATIVE UPDATE

Pursuit of County Positions on Legislation

Medicaid Payments to State and Local Governments: Medicaid is the single largest source of funding for state and local governments nationally, including the State of California and County of Los Angeles. The President's proposed Federal Fiscal Year (FFY) 2005 Budget includes a number of Medicaid legislative proposals that would significantly reduce Medicaid payments to the State and the County.

The Administration proposes to cap Medicaid payments to individual State and local government providers at the cost of providing services to Medicaid beneficiaries and to restrict the use of intergovernmental transfers (IGTs) as non-Federal Medicaid matching funds. We understand that IGTs would be restricted by reducing the cap on Medicaid disproportionate share hospital (DSH) payments to public hospitals from 175% to 100% of their total uncompensated costs, and by eliminating the current transition period for states to reduce aggregate non-DSH Medicaid payments to public hospitals to 100% of what would be paid using Medicare cost principles. Under current law, the transition period for California to reduce such Medicaid payments to a 100% Medicare upper payment limit (UPL) ends in FFY 2009-2010.

According to the Office of Management and Budget, these proposals to cap Medicaid payments and curb the use of IGTs would reduce Federal Medicaid payments by an estimated \$1.5 billion in FFY 2005 and \$9.6 billion in FFYs 2005 through 2009.

In California, IGTs finance the entire non-Federal share of Medicaid payments to hospitals under the Selective Provider Contracting Program and DSH programs. Therefore, curbing the use of IGTs and capping Medicaid payments to public hospitals would result in a major loss of Medicaid revenues to the County's hospitals.

In FFY 2005, the Administration also proposes to reduce Federal reimbursement of state and local Medicaid administrative costs by \$300 million and to reduce the enhanced Federal matching rate for developing and implementing Medicaid information and claims management systems from 90% to 75%.

Congress has begun consideration of the FFY 2005 budget resolution, which sets non-binding spending and revenue targets to guide consideration of budget-related legislation. While the budget resolution (S. Con. Res. 95), approved by the Senate Budget Committee last week does not assume enactment of all of the Administration's proposed Medicaid cuts, it does include budget reconciliation instructions for the Senate Finance Committee to enact legislation reducing spending on mandatory programs under its jurisdiction, such as Medicaid, by a total of \$3.4 billion in FFYs 2005 through 2009. In doing so, the Committee noted that "there is a great potential for savings in the Medicaid program due to waste and abuse in the system." This week, the budget resolution will be debated on the Senate floor, and the House Budget Committee will mark up its version.

The Federal Agenda adopted on January 20, 2004 includes policies to support increased Medicaid payments to health safety net providers, oppose proposals which would increase the County's unreimbursed costs of providing and administering health care services, support funding to implement and improve automated data management information systems for Federal programs administered by state and local governments, oppose proposals which would reduce funding for Medicaid, and oppose proposals which would reduce the County's or State's share of total available Federal funding. **Based on these policies, the County's Washington advocates will oppose legislation which would reduce Medicaid funding, such as by implementing the Administration's proposals to reduce Medicaid payments to public hospitals, restrict the use of IGTs, and to cut Medicaid reimbursement of state and local Medicaid administrative and management information costs.**

Food Stamp Benefits for Families of Military Personnel: The President's proposed FFY 2005 Budget includes a proposal to exclude special military pay when determining Food Stamp benefits for families of deployed members of the armed services. However, legislation has not yet been introduced to implement this proposal. Your Board adopted a motion by Supervisor Burke, on April 1, 2003, to exempt the earnings of military personnel from consideration of income when determining their families' eligibility for Food Stamps. **Based on this policy, the County's Washington**

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advocates will support the enactment of legislation to implement the Administration's proposal to exclude the pay of deployed military personnel when determining the level of Food Stamp benefits for their families.

We will continue to keep you advised of any new developments.

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c: Executive Officer, Board of Supervisors
County Counsel
All Department Heads
Legislative Strategist